

CHAPTER XVI.

THE CANADIAN BANKING SYSTEM.

Its Origin and Growth—Foundation of the Bank of Montreal—The Union of the Canadian Provinces and the Dominion—Banking Reforms in 1870, 1880, and 1890—The Effect upon the Security of Note Issues and the Small Losses by Failure—Recent Suspensions—The Reforms of 1900 and 1908.

THE Canadian banking laws now in force represent an almost steady growth from comparatively crude conditions to a perfected scientific system. Founded originally upon Scotch models, the Canadian banks enjoyed at first the freedom from even the police supervision of the government which naturally arose from the fact that they framed their own charters. Canadian banking was not exempt from the risks and difficulties of the other institutions of a new and growing country, and defects in the security of the note issues and the protection of deposits were gradually remedied as they were disclosed by experience. The development of the Canadian system, however, has been natural and symmetrical and most of the changes in the law have had the approval of the leading bankers. Attempts have been several times made to substitute a government currency or a specially secured circulation for the elastic medium provided by the banks, but these attempts have not been sufficiently successful to destroy the essential advantages of the Canadian banking system. They have resulted in putting a considerable volume of government paper alongside the bank-note currency and in requiring a certain percentage of this paper to be held by the banks in